

## Views on Housing

# Rep. Barney Frank

### Has the federal government been sufficiently involved in recent years in financing affordable housing?

No, it hasn't been, and it's an outrage. In the 1960s, Massachusetts was a pioneer in advocating for affordable housing. I've tried to pick up some of that advocacy role. In Massachusetts we took advantage of a lot of federal programs. But many of the affordable programs of the 1960s and 1970s stipulated that the housing would no longer be affordable after so many years. Joe Kennedy and I worked very hard to try and keep some of that housing affordable. But the Republicans came in and repealed all of the legislation we helped adopt to protect those expiring affordable units. Now many of those units are becoming market-rate housing. What the Republicans have done is essentially say no more federal funding for construction of housing except for a small amount for the elderly and the disabled. All they do is give Section 8 vouchers. That program is better than nothing, but it doesn't help the supply. If you increase demand while holding supply constant you end up raising prices.

### Are there any innovative federal programs in the works today to expand the supply of affordable housing?

Well we've got one program that has been pushed by the Democrats but has also received support from Republicans in the House. We are modeling it after the Federal Home Loan Banks' Affordable Housing Program (AHP). I was on the committee when Henry Gonzales (the late congressman from Texas) pushed through the AHP legislation. I worked very hard on it and am very proud of what it has become. The AHP has been very helpful, especially as federal funding has dried up. I was thinking of that model when considering legislation to redo supervision of Fannie Mae and Freddie Mac. I pushed very hard to create a similar kind of affordable-housing program for Fannie and Freddie using five percent of their profits instead of 10 percent. Five percent of Fannie and Freddie's profits would be hundreds of millions of dollars. This would be a new way to get money into housing production. We are still hoping we can pass the bill. The Senate is holding it up at the request of the administration, not so much over the housing provision as over the size of Fannie and Freddie's retained portfolio. If we could get that resolved I believe we could get the five percent through.

### Young people have started to leave Massachusetts to escape the high cost of housing. To what do you attribute the state's recent affordable-housing crisis?

There are a number of causes. One of the most pressing is restrictive zoning created by govern-

ment decision. Combine that with a financing system that puts a lot of burden on the local property tax and you get resistance to housing being built anywhere. Some of that resistance is reasonable because it has an economic cause; some of it is unreasonable because it is based on fear of new people, especially the people who will live in affordable housing. I think excessively restrictive zoning is the single biggest problem we have.

### Is Chapter 40B an effective tool to build affordable housing in communities across the state?

Chapter 40B is better than nothing, but it could be better. I think we need a combination of carrots and sticks. We don't have enough carrots. I'm at the federal level so I can't really give you as informed an opinion on state issues as I can on federal ones, but I do think more carrots — more money for schools and other financial incentives to communities — would be helpful. I think the state has been moving in that direction.

### Are there any noteworthy affordable developments currently underway in your district?

There are a lot of good mixed-use developments that contain both market-rate and affordable housing. One is the former St. Aidan's Church initiative in Brookline [the recipient of a \$300,000 grant and a \$900,000 advance from the Federal Home Loan Bank of Boston's (the Bank) AHP. The initiative includes 59 rental units, 20 of which are affordable, and nine condominiums]. There are also several developments underway in Newton. The problem, as I said before, is often local resistance.

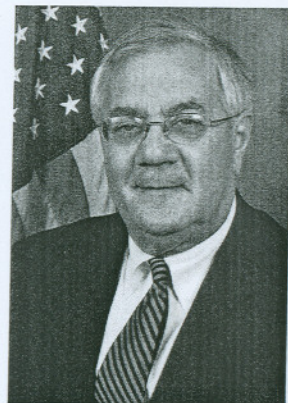
### What's your view of the HOPE VI program?

It's a very promising housing program but difficult to administer because it is so ambitious. I think you have to make sure you replace the housing that is lost through the construction of new housing. You don't want to repeat the urban renewal model of the past in which poor people's housing was torn down without concern for where those people would be living. When done right, with a real concern for replacement housing, HOPE VI is a really important way to deal with the affordable-housing problem.

### What role should bankers be playing in the development of affordable housing?

Well, a couple of things. First of all, the AHP is a very important program. It involves taking a percentage of the Bank's profits and putting it directly into affordable housing. Low-income housing needs these subsidies. For moderate-income housing, the banks can accomplish a lot just by meeting their Community Reinvestment

Act requirements. This involves making it relatively easy for housing developers to get loans on reasonable terms. What banks should avoid are predatory-lending practices. They need to lend to unconventional borrowers without exploiting them.



### Is there a place for both for-profit and nonprofit developers in the construction of affordable housing?

Yes. There is plenty of room for both. I don't see them as competitive. People have different motivations, different goals. In the first Bush Administration, HUD Secretary Jack Kemp said we don't want profit-making developers; we only want nonprofit developers. I like a lot of the nonprofits, but many of the most talented people in America go into business to make a profit. Why would we exclude them from housing? Caring about something shouldn't mean you don't make a profit from it. Some of the most innovative housing comes from the for-profits. I'll give you an example: In the 1970s, when I was the state representative for the Back Bay in Boston, housing prices were going up. Older people who had been living in housing all of their lives were being forced out. I spoke to the neighborhood association and they agreed to support subsidized housing. I went to Walter Winchester at State Street Developers, a very successful for-profit developer with a good track record. I took some of the neighborhood association leaders to see some of his projects. As a result, he developed housing in a hotel in Kenmore Square. Both for-profits and nonprofits are doing a good job. I've been working with the Catholic Church's Planning Office for Urban Affairs on the St. Aidan's development. I work with both for-profit and nonprofit developers. Among the best developers of subsidized housing in Massachusetts have been faith-based groups. The Office of Urban Affairs has been one of the best builders of subsidized housing; Jewish Community Housing for the Elderly has thousands of units in Brighton, Newton, and Brookline. T

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